

STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
STD.213 (new 06/03)

AGREEMENT NUMBER <b>C201810</b>
REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

California State Lands Commission (CSLC)

CONTRACTOR'S NAME

Driltek, Inc.

2. The term of this

Agreement is:

July 1, 2018 through June 30, 2021

3. The maximum amount of this Agreement

is:

\$ 36,000,000

4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement:

Exhibit A – Scope of Work

4 Page(s)

Exhibit B – Budget Detail and Payment Provision

1 Page(s)

Exhibit C\* – General Terms and Conditions

GTC 4/2017

Check mark one item below as Exhibit D:

5 Page(s)

☒ Exhibit D – Special Terms and Conditions (attached hereto as part of this Agreement)

☐ Exhibit D\* – Special Terms and Conditions

Exhibit E – Contractor's Master Rate Schedule

1 Page(s)

Items shown with an Asterisk (\*) are hereby incorporated by reference and made part of this Agreement as if attached hereto. These documents can be viewed at <http://www.dgs.ca.gov/ols/Resources/StandardContractLanguage.aspx>

**IN WITNESS WHEREOF, this Agreement has been executed by parties hereto.**

**CONTRACTOR**

CONTRACTOR'S NAME (if other than individual, state whether a corporation, partnership, etc.)

Driltek, Inc.

BY (Authorized Signature)

DATE SIGNED

June 27, 2018

PRINTED NAME AND TITLE OF PERSON SIGNING

Lane H. Linthicum, COO

ADDRESS

901 Tower Way, Suite 102, Bakersfield CA 93309

**STATE OF CALIFORNIA**

AGENCY NAME

California State Lands Commission

BY (Authorized Signature)

DATE SIGNED

November 1, 2017

PRINTED NAME AND TITLE OF PERSON SIGNING

Katera Forbes, Fiscal Officer

DENISE COOK, Chief ASD

ADDRESS

100 Howe Avenue, Suite 100 South, Sacramento, California 95825-8202

CALIFORNIA  
Department of General Services  
Use only

☒ Exempt per P.C.C. 10430(d)

## EXHIBIT A

### SCOPE OF WORK

1. Services – Contractor enters into this Agreement with the California State Lands Commission, hereinafter referred to as “CSLC” or the “State” (considered as the same entity), to perform the engineering, operations and administrative services, under the oversight of the CSLC Project Coordinator (as further defined below) or designee, and other required duties in order to continue the safe daily operations of Rincon Island and the Rincon Onshore Facilities (i.e. the operations yard located at 5750 Pacific Coast Highway, Ventura, CA 93001) and to prepare, plan, and execute the orderly abandonment of up to 77 oil and gas wells entering onto former State Leases PRC 1466.1, PRC 410.1, and PRC 145.1 (“Leases”).
2. Modifications in Scope of Work – Contractor and CSLC understand that fluctuations in the amount of work may occur depending on infield conditions and State financing. Further, no warranty is made, written or implied as to the actual amount work that will be requested by the State be performed by Contractor pursuant to this Agreement.
3. Operation Standards – The Scope of Work and duties performed are detailed below. Contractor acknowledges that all services provided are subject to the California Code of Regulations and good oil field practices. Good oilfield practices shall mean good engineering practice standards, industry and national standards, recommended practices, regulations and codes related to the operation being reviewed, and all applicable laws, rules and regulations of the United States and the State of California and of any respective political subdivision of the State, or any respective successor thereof.

### DESCRIPTION OF WORK

4. Narrative Description of Work – The Contractor will be required to perform engineering, operations, and administrative services, under the oversight of CSLC staff, to develop and execute a program to permanently plug and abandon up to 77 wells, to perform all ancillary tasks associated with the plug and abandonment program, and to provide essential personnel to continue the safe daily operations of the Leases at the current baseline conditions. The Contractor will also be responsible for maintaining safe conditions on the Leases including monitoring and maintaining safe well pressures. Contractor’s work will include the hiring and management of subcontractors to perform the work under the plans (including but not limited to well services contractors, rental equipment, service companies, water/electric/gas services, and the hiring of related vessels such as crane barges and equipment barges), and to perform other routine or required inspection services, including reporting, testing, and inspection required to maintain regulatory compliance with CSLC, DOGGR, VCAPCD, RWQCB, and other agencies.

The work under this Agreement will be completed when all identified oil and gas wells on the Leases are plugged and abandoned and Lease facilities are placed in caretaker status or equivalent condition of safety. In no event will the work continue any later than June 30, 2021.

### 5. Detailed Description of Work

#### A) Rincon Island & Onshore Facilities Personnel Supervision and Labor Services

1. Acquire/retain/hire essential personnel to maintain the facilities on the Leases in a safe and operational condition;
2. Onshore Facilities: 12 hour tour/7 on/7 off; 1 operator per tour; total of 4 operators, until the completion of work identified in E(3), below.
3. Rincon Island: 12 hour tour/7 on/7 off; 1 operator per tour; total of 4 operators until the completion of work identified in E(2), below
4. Onshore Facilities/Rincon Island: 1 Operations Supervisor



B) Administrative Services

1. Set up and review accounting methods and procedures with CSLC staff; coordinate software and schedules as needed.
2. Prepare and submit detailed monthly invoicing for Project costs to CSLC with supporting documentation.
3. Retain sub-contractors and manage sub-contract accounts.
4. Secure/review/maintain, as necessary:
  - a) permits for the plug and abandonment program and continued operations.
  - b) ROW access to the Leases.
  - c) oil spill contingency plans and other operational plans.
5. Coordinate with CSLC staff regarding purchases.
6. Maintain sufficient space for office staff and files, including space for contracting personnel and CSLC staff as needed.
7. Arrange for the sale of oil or gas, for the benefit of the CSLC, when required to maintain operational safety.
8. Maintain accounts for electricity, trucking, gas, and other day-to-day operations, as required.
9. General daily management of projects and personnel.
10. Maintain and execute a Communications Plan developed in coordination with CSLC staff.
11. Develop reports for CSLC as established by the Communications Plan.

C) Rincon Island and Onshore Facilities Inspection and Maintenance

1. Provide safety training and facility familiarization for all personnel listed in (A) above.
2. Inspect the condition and function test all necessary facility equipment, instrumentation, alarms and control devices, for continued safe operations and well abandonment activities including but not limited to vessels, gas and oil sales equipment, treatment facilities, oil storage and oil loading and transfer facilities, in-service pipelines, and waste water disposal equipment.
3. Prepare and execute an equipment maintenance plan that addresses equipment and operating systems integrity during the entire well abandonment period.
4. Assess and identify essential equipment and systems vs. non-essential equipment and systems for continued operations and well abandonment.
5. Determine the feasibility of locking out or complete removal/salvage of non-essential equipment. Execute lock out of non-essential equipment with approval of CSLC staff.
6. In consultation with CSLC staff, inspect and assess the causeway and island wharf for functionality, as needed and obtain required certifications for continued use.

D) Rincon Island and Onshore Leases Continuing Operations

1. Staff facility with sufficient operating personnel to operate and maintain continued operations on a 24/7 basis, as described in (A) above.
2. Perform operations, maintenance, routine and safety inspections as needed, and maintain daily records of: activities, personnel roster of "permanent" and temporary personnel, equipment pressures and liquid levels, and gas production and sales.
3. Monitor for and maintain safe well pressures including any necessary pressure relief operations and flaring of annular gas.
4. Maintain safety and security protocols.

E) Rincon Island and Onshore Leases Abandonment Program

1. Pre-Well Abandonment
  - i. Develop a plan to ensure fire system is operational and fresh water supply is ample for rig requirements (including mud and cement mixing).

- ii. Identify all wells needing wellhead repair/replacement and operable gauges on tubing and casing for every well.
- iii. Develop and execute a wellhead repair plan, as needed.
- iv. Obtain tubing and casing pressure and fluid level data on all wells as needed.
- v. Hold pre-job contractors meeting to review abandonment procedure and responsibilities and daily safety meetings.

2. Rincon Island Well Abandonment Program

- i. Develop a plug and abandonment program for 50 wells on Rincon Island (39 producers, 8 injection, and 3 shallow water source wells), subject to the approval of CSLC engineering staff. The program must consider all logistics, including the most appropriate method for obtaining and mobilizing necessary equipment to safely plug and abandon the wells on Rincon Island; considering causeway and wharf constraints.
- ii. In Coordination with CSLC staff, obtain all permits necessary to organize and execute the plug and abandonment program.
- iii. Retain and submit to CSLC, copies of DOGGR well summary reports and injection surveys, as developed.
- iv. Organize and execute mobilization and execution of the abandonment program for 50 wells on Rincon Island, including procuring all necessary services and equipment.
- v. Develop and maintain safety protocols for oil spill and incident response throughout.
- vi. Actively and safety manage the transportation, treatment, and, if necessary, sale or disposal of hydrocarbons and water produced during the plug and abandonment process.

3. Onshore Leases Abandonment Program

- i. Assess roadways and access to the Onshore Leases wells and pipeline vault.
- ii. Develop a repair or maintenance plan, if necessary, to assure road adequacy for support of well abandonment rig, vehicles, and other equipment.
- iii. Develop a plug and abandonment program for up to 27 wells, subject to the approval of CSLC engineering staff. The program must consider all logistics, including the most appropriate method for obtaining and mobilizing necessary equipment to safely plug and abandon the Onshore Lease wells.
- iv. The Consultant Firm shall obtain all permits necessary to organize and execute the plug and abandonment program.
- v. Copies of DOGGR well summary reports and injection surveys shall be sent to this office within 90 days after completion of the program.
- vi. Organize and mobilize execution of the abandonment program for the Onshore wells including procuring all necessary services and equipment.
- vii. Develop and maintain safety protocols for oil spill and incident response throughout.
- viii. Actively and safety manage the transportation, treatment, and, if necessary, sale or disposal of hydrocarbons and water produced during the plug and abandonment process.

4. Post Well Abandonment

- i. Demobilize and remove well abandonment equipment from the Leases.
- ii. Salvage or dispose of refuse produced from the plug and abandonment program.
- iii. Place the facilities into caretaker status or equivalent condition; including cleaning remaining oil and gas equipment, flushing the oil transportation line, and blanking off transportation lines over water.



5. Additional Information Regarding the Abandonment Program

- i. During the execution of work, the Consultant Firm shall make daily reports available to SLC staff by 9 am.
- ii. Well Abandonment programs for each well shall be submitted for review and concurrence by CSLC engineering staff and DOGGR. Only upon concurrence shall the consultant firm proceed to abandon each well per the approved program.
- iii. All Consultant Firm personnel conducting well work (including Consultant Firm's subcontractors) shall maintain necessary certifications in Well Control.

F) Optional Tasks Performed at the Discretion of CSLC

Any activities that may be needed to fulfill Contractor's primary tasks under this Agreement, that are not expressly listed above, may be undertaken once approved in writing by CSLC in advance of the activity. In most instances, these Optional Tasks will require project management and professional staff labor as well as sub-contractor support.

6. Responsibilities of Project Coordinator – The CSLC Project Coordinator and Contractor Project Coordinator shall be the day-to-day representatives for the administration of this Agreement. Except as otherwise expressly provided, or established in a jointly developed Communication Plan, all communications relative to this Agreement shall be given to each Parties' Project Coordinators. Either party shall have the right to change its Project Coordinator upon written notice to the other party.

The Project Coordinator during the term of this Agreement will be:

**California State Lands Commission**  
Name: Mark LeClair  
Phone: 562-590-5453  
Fax: N/A  
E-mail: mark.leclair@slc.ca.gov

**Contractor**  
Name: Lane H. Linthicum  
Phone: 661-281-8074  
Fax: 661-327-4051  
E-mail: lane.linthicum@driltek.com

Direct all Agreement inquiries to:

**California State Lands Commission**  
Name: Katera Forbes  
Phone: 916.574.2403  
Fax: 916.574.1875  
E-mail: katera.forbes@slc.ca.gov

**Contractor**  
Name: Lane H. Linthicum  
Phone: 661-327-3021  
Fax: 661-327-4150  
E-mail: lane.linthicum@driltek.com

**EXHIBIT B**

**BUDGET DETAIL AND PAYMENT PROVISIONS**

1. Invoicing and Payment – In consideration for the satisfactory completion of the services described herein, the State agrees to pay the Contractor, monthly in arrears, upon receipt and approval of an invoice in duplicate, for services rendered under this Agreement. The invoice shall be submitted by the Contractor in sufficient scope and detail to define the actual work performed and specific milestones completed, including a description of the activities of the Contractor and subcontractors and the hours allocated to those activities. The hourly rate for services rendered shall not exceed those as set forth in Exhibit E.

Contractor shall retain invoices and evidence supporting costs charged to the CSLC and shall provide record of expenditures at the request of the CSLC.

Invoice disputes – In the event that CSLC disapproves an invoice, the process shall be in accordance with, and within the time specified in, Government Code, Chapter 4.5 (commencing with Section 927), specifically Government Code Sections 927.3 through 927.7.

Invoices shall include the Agreement Number and be submitted to:

California State Lands Commission  
100 Howe Avenue, Suite-100 South  
Sacramento, CA 95825-8202  
Attn.: Katera Forbes

2. Budget Contingency Clause – It is mutually agreed that, if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for this Contract, the State may cancel this Agreement and it shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.

In the alternative, the State shall have the right to amend this Agreement to reflect the reduced funds available for it. In such event, State shall meet with Contractor to negotiate a reduced scope of work.

3. Prompt Payment Clause – Payment will be made in accordance with and within the time specified in Government Code, Chapter 4.5 (commencing with Section 927).
4. Payments to be paid to the Contractor, as specified herein, shall include all taxes of any description, federal, state and municipal, assessed against Contractor by reason of this contract.
5. Reimbursement Clause – Travel and per diem expenses to be reimbursed under this Agreement shall be at the same rates the State provides for unrepresented employees in accordance with the provisions of Title 2, Chapter 3 of the California Code of Regulations. Travel and Per Diem Expenses, Attachment 1, is attached and made a part of this Agreement by this reference. Only those work classifications of the Contractor identified in Exhibit E to this Agreement may claim per diem expenses and only in connection with the work performed under this Agreement.
6. Daily/Monthly Invoice Limits – Limits on invoicing for certain categories is identified in Exhibit E. If Contractor anticipates that the cost for work may exceed the invoice limit, Contractor shall seek approval from the Project Coordinator for approval to increase the limit for that month. Approvals under this paragraph shall only be granted on a month-by-month basis. Approval shall not be unreasonably denied if justified by the Contractor as being necessary to completion of the work under this Agreement.



**EXHIBIT D**

**SPECIAL TERMS AND CONDITIONS**

1. Amendments – No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and all State requirements are met, including review by the Department of General Services, Legal Office if necessary. No oral understanding or arrangement not incorporated in this Agreement is binding to either party.

Amendments to this Agreement may be proposed by either party and shall be effective by issuance of a written instrument executed by both parties. The Agreement price may be equitably adjusted to reflect any additional costs or new savings resulting from such amendment(s).

Work subject to such amendment(s) shall be performed in accordance with all applicable requirements of this Agreement, including any amendments thereto. No guarantee is made hereby that any change(s) or additional work will be authorized or required. The State reserves the right to make all adjustments in the Scope of Work to be Performed by the Contractor in a manner which, in its sole discretion, determines to be in the best interests of the State, including, but not limited to, the hiring of additional contractors or replacement of subcontractors, subject to all other provisions of this Agreement.

2. Settlement of Disputes – In the event of a dispute, Contractor shall file a "Notice of Dispute" with the California State Lands Commission, Executive Officer or her designee within ten (10) days of discovery of the problem. Within ten (10) days, the Executive Officer or her designee shall meet with the Contractor and project coordinator for the purposes of resolving the dispute. In the event the meeting does not result in a mutually acceptable resolution, the Executive Officer shall render a final decision on behalf of the CSLC. If the Contractor is not satisfied with the decision of the Executive Officer, the Contractor may appeal the decision to the Department of General Services, Deputy Director, Procurement Division. The decision following appeal shall be conclusive and binding unless Contractor commences an action in court to contest such decision within ninety (90) days following the date of the final decision.
3. Contract Bonds - The Contractor shall furnish a payment bond. The payment bond shall secure the payment of the claims of laborers, mechanics, or material-persons employed for work under the Agreement. Upon award of contract, Contractor shall furnish a payment bond made payable to the "California State Lands Commission" in a sum equal to \$2,000,000. Payment bond must be issued by a company authorized by the California Insurance Commissioners to transact surety business in California.
4. Insurance - Contractor shall be required to provide evidence of coverage for the following:
  - a) Commercial Liability Insurance - Commercial general liability insurance at least as broad as the most commonly available ISO policy form CG 0001 covering bodily injury, property damage and personal injury and with limits not less than \$1,000,000 per occurrence and \$2,000,000 general aggregate. Said policy shall apply separately to each insured against whom any claim is made or suit is brought subject to the Contractors limits of liability. The policy shall include the State of California, its officers, agents, and employees as additional insured.
  - b) Vehicle Liability Insurance - Contractor shall maintain motor vehicle liability with limits of not less than \$1,000,000 per accident. Such insurance shall cover liability arising out of a motor vehicle including owned or hired. The policy shall include the State of California, its officers, agents and employees as additional insured.
  - c) Worker Compensation Insurance - Contractor shall maintain statutory worker's compensation, and employer's liability coverage in the amount of \$1,000,000/employee/disease/each accident, for all its employees who will be engaged in the performance of work on the Property, including special extensions where applicable.

Each policy of insurance required by this provision shall: (a) be in a form, and written by an insurer, reasonably acceptable to California State Lands Commission; (b) be maintained at Contractor's sole expense; and (c) require at least thirty (30) days written notice to State prior to any cancellation, nonrenewal or material modification of insurance coverage. Insurance companies issuing such policies shall have a rating classification of "A-" or better and financial size category ratings of "VII" or better according to the latest edition of the A.M. Best Key Rating Guide. All Insurance companies issuing such policies shall be licensed to do business in the State of California.

Evidence of the required coverage is to be an original certificate of liability insurance with the California State Lands Commission as the certificate holder. In addition to certificate the additional insured endorsement is needed for the commercial general liability policy, and the waiver of subrogation endorsement is needed for the workers' compensation policy.

5. Notwithstanding Paragraph 5 of Exhibit C "GTC 04/2017," of this Agreement, the State and Contractor understand that for all purposes under this agreement, as it relates to the Parties, the State is the sole proprietor and operator of the Rincon Island and onshore Leases and is therefore solely liable for all costs and claims associated with the completion of the Scope of Work arising from any defective or substandard condition on the Leases that existed at or before the start of work, any permit violations, minor and major oil and hazardous material spills and any other claims resulting from the Scope of Work outlined herein.
6. With respect to third-party claims against Contractor, Contractor waives all rights of any type to express or implied indemnity against the State, its officers, employees, or agents (excluding agents who are design professionals). Nothing in the Contract is intended to establish a standard of care owed to any member of the public or to extend to the public the status of a third-party beneficiary for any of these indemnification specifications.
7. Consequential loss: Neither party shall bear any liability to the other for loss of revenue, loss of profit or anticipated profit, spread costs, loss of use or the cost of use of property, equipment, materials and services (including, without limitation, those provided by contractors or subcontractors of every tier or by third parties) or indirect or consequential losses of any kind.
8. Subcontractors/Special Services: When subcontractors or special services are required in performance of the work and have been approved in the work plan, the Contractor will be compensated for invoiced costs of the services plus markup cost not to exceed 5 percent. Said markup shall reimburse the Contractor for profit and additional administrative costs, and no other additional payment will be made by reason of performance of the work by a subcontractor.
9. Accident Prevention: Precautions shall be exercised at all times for the protection of persons (including employees) and property. These shall include, but not limited to, the installation of adequate safety guards and protective devices for all equipment and machinery, whether used in the performance of work or permanently installed as part of the work. Contractor awarded the agreement shall comply with all applicable laws relating to safety precautions, including the safety regulations of the Division of Industrial Safety, California Department of Industrial Relations.
10. Work Site Inspection - Contractor shall at all times permit Owner's Representative and any other authorized agents to visit and inspect the work at the workplace.
11. Permits - The Contractor shall be responsible for obtaining the required permits from appropriate agencies for the performance of work except those as specified in the Scope of Work and Specifications. Specifically, the State shall be responsible for obtaining permits and authorizations from the U.S. Army Corps of Engineers, the Regional Water Quality Control Board, and the Coastal Commission. Contractor shall be responsible for hauling permits, air quality permits, waste disposal permits, and other permits specific to Contractor's work.
12. State's Rights to Stop Performance - If Contractor fails to correct the Work which is not in accordance with the requirements of the Contract Documents or fails to carry out the Work in accordance with the Contract Documents; or fails or refuses to provide a sufficient amount of properly supervised and coordinated labor, materials, or equipment so as to be able to complete the work within the Contract time; or disregards the



instructions of the Owner's Representative when based on the requirements of the Contract documents; State may order Contractor to stop the work, or any portion thereof, until the cause for such order has been eliminated; provided however, the right of the State to stop the work shall not give rise to a duty on the part of State to exercise this right for the benefit of Contractor or any other or entity and any delay resulting from such work stoppage shall not extend any milestone date identified in the Contract or the required dates of substantial or final completion. Notwithstanding any order by the State to stop or partially stop work, the State's payment obligations under this Agreement remain. Further, in the event Contractor disputes the State's stop work order, Contractor may follow the dispute resolution procedures pursuant to paragraph 2 of this Exhibit D.

13. Evaluation of Contractor – Performance of the Contractor under this Agreement will be evaluated by the State. The evaluation shall be prepared on Contract/Contractor Evaluation Sheet, Std. 4 and maintained in the Agreement file. A copy of the evaluation will be sent to the Department of General Services, Office of Legal Services and Contractor, if it is negative and the Agreement amount is over \$5,000.
14. Contract Performance and Third Party Delays – All performance under this Agreement shall be completed on or before the termination date of the Agreement. However, under no circumstances, will Contractor be responsible for delays in performance caused by third parties, excluding Contractor's subcontractors, or delays caused by State and local permitting agencies when such delays are of no fault of the Contractor.
15. Release of Information by Contractor – No reports, information, discoveries, or data assembled, developed, or obtained by the Contractor pursuant to this Agreement shall be released, made available to any person, or used in any manner by the Contractor in other activities without prior written approval of the State.
16. Copyrights – Unless expressly agreed to in writing, the State is to retain ownership of all original material resulting from this Agreement. No reports or other documents produced in whole or in part under this Agreement shall be the subject of an application for copyright by or on behalf of the Contractor or his subcontractor without the express authority of the State. The State shall have unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part, any reports, data, or other materials prepared under this Agreement.
17. Conflict with Existing Law – Contractor and the State agree that, if any provision of this Agreement is found to be illegal or unenforceable, such term or provision shall be deemed stricken and the remainder of this Agreement shall remain in full force and effect. Either party having knowledge of such terms or provision shall promptly inform the other of the presumed non-applicability of such provision. If removal of the unenforceable provision deprives a party of a material benefit of this Agreement, this Agreement will terminate immediately.
18. Suspension of Work – The State project coordinator may, by written order, suspend the work of the Contractor, or any portion thereof for any period as they may deem necessary, for any reason. In the event the State elects to resume work and cancel the Stop Work Order, State will: (a) adjust the cost as reasonably necessary to compensate Contractor for any additional and unavoidable costs resulting from the delay; and (b) adjust the delivery schedule as reasonably necessary due to the delay. Any adjustments made pursuant to this provision shall be made in writing by the State project coordinator. If work is suspended indefinitely, State agrees to pay all Contractor's costs in full up to the point of suspension. Notwithstanding the foregoing, the State shall be responsible to pay Contractor for any outstanding invoices as well as for work performed up and through the date of cancellation or indefinite suspension within forty-five (45) days of receipt of invoice in accordance with Government Code, Chapter 4.5 (commencing with Section 927). Contractor shall not be liable for any claims arising from the State's decision to suspend work indefinitely prior to the end of the term of this Agreement. In the event suspension continues without interruption for ninety (90) consecutive days, Contractor may terminate this Agreement.
19. Work Performance – The Contractor shall be responsible for the professional quality, technical accuracy, and the coordination of all services furnished. The Contractor shall, without additional compensation, correct or revise any errors or deficiencies in its work products. All work under this Agreement shall be performed with the degree of skill and care that is required by current, good and sound professional procedures and practices and in conformance with generally accepted professional standards prevailing at the time the Work is performed so as to ensure that the services provided are correct and appropriate for the purpose contemplated



in this Agreement and related provisions. The Contractor's obligation and liability under this paragraph 21 shall cease upon the completion of the Work or the termination of this Agreement, whichever occurs first, Contractor shall not be liable for any latent defects in the Work.

20. Force Majeure – Fires floods, wars, acts of war, strikes, lockouts, labor disputes, accidents to machinery, delays or defaults of common carriers, orders, decrees or judgments of any court, or any other contingency beyond the control of the Contractor or the State, whether related or unrelated, or similar or similar to any of the foregoing, will be sufficient excuse for any resulting delay or failure in the performance by either party of its respective obligation under this Agreement, but such performance will be excused only as long as the force majeure continues.
21. Licenses and Permits – The Contractor warrants that it is an individual or firm licensed to do business in California and have obtained, at their expense all license(s) and permit(s) required by law for accomplishing any work required in connection with this Agreement. In the event any license(s) and/or permit(s) expire at any time during the term of this Agreement, Contractor agrees to provide the State a copy of the renewed license(s) and/or permit(s) within 30 days following the expiration date. In the event the Contractor fails to keep in effect at all times all required license(s) and permit(s), the State may, in addition to any other remedies it may have, terminate this Agreement upon occurrence of such event.
22. Task Approval Process – The designated State project coordinator shall maintain control and direction at all times over the scope of work being performed by the Contractor under this Agreement. The State project coordinator reserves the right to change the tasks as defined within the general scope of work to be performed by the Contractor.

The State reserves the right to modify, reject, cancel, or stop any and all plans, schedules or work in progress. In such event, the Contractor agrees to use all reasonable efforts to mitigate expenses and obligations under this Agreement. The State shall reimburse the Contractor for all satisfactory services rendered and expenses, if any, incurred prior to such notice of termination.

23. Unanticipated Tasks – In the event that additional work must be performed, which was wholly unanticipated and was not identified in either the State's solicitation document or the Contractor's proposal submitted in response hereto, the Contractor shall submit the intended change in required work and the proposed cost supported by full and complete documentation. Each Change Request shall identify the following: (1) the purpose, objective, or goals to be undertaken by the Contractor, in a detailed statement, (2) the tasks necessary to accomplish the goals, (3) the deliverables, including all relevant documentation or modification to existing documentation, (4) a time schedule for the provision of these deliverables, (5) the completion criteria for the work to be performed, (6) the Contractor's personnel to be assigned, (7) the job classification or approximate skill level of such personnel, (8) the quantity(ies) of labor-hours by job classification or skill level, (9) the quantity(ies) of deliverables. The format of the submittal shall be consistent with that of the cost proposal in Exhibit E.

All work under this section is subject to amendment requirements as specified in Exhibit D, paragraph 1. No additional work shall be performed by the Contractor unless authorized by the State Project coordinator and all requirements are met including the review by the DGS Legal, if necessary. All work outside the Work plans shall be performed in accordance with all applicable requirements of this Agreement.

24. Consultant - Staff Expenses – The Contractor shall secure at its own expense, all staff including subcontractors and legal staff required to perform the services described in this Agreement. Such personnel shall not be employees of or have any personal contractual relationship with the CSLC or any other governmental entity.

The State reserves the right to approve in advance Contractor's personnel to be assigned to this project and to disapprove the continuing assignment of Contractor's personnel provided under this Agreement. If a Contractor's employee is unable to perform due to illness, resignation or other factors beyond the Contractor's control, the Contractor shall make every reasonable effort to immediately provide suitable substitute personnel.



25. Replacement of Personnel

BY CONTRACTOR – This Agreement is for services to be provided by specific persons listed and described in the Contractor's Proposal and the Agreement Estimate is based on salaries for these same persons as identified in Contractor's Cost Proposal. State enters into this Agreement relying on the skills and qualifications of those persons and the costs identified for them by the Contractor. Contractor acknowledges that in the event any or all of these individuals are removed, replaced or reassigned by the Contractor, such removal, replacement, or reassignment may result in serious harm to the State. Contractor agrees not to remove, replace, or reassign such individuals without the written approval of the State Project coordinator. Such approval shall not be unreasonably withheld or delayed provided that any replacement or additional personnel proposed during the life of this Agreement meet or exceed the skill level and experience that the Contractor proposed. The State Project coordinator will have the final decision and has the authority as to whether substitute personnel meet the qualifications and whether to approve the substitution of the Contractor team members. Contractor shall provide to the State's Project coordinator the name and resume of such person and the work to be performed, along with a justification of the necessity for the substitution or addition and the rate to be charged.

BY STATE – If State finds the past or current performance of any of Contractor's employees or subcontractors to be unsatisfactory and so notifies the Contractor in writing, Contractor shall have a reasonable time, not to exceed 30 days, to remedy that person's unsatisfactory performance or to replace said employee or subcontractor. This provision does not in any way require, endorse or approve (expressed or implied) the termination of employment by the Contractor of any employee removed, replaced, or reassigned under the terms of this paragraph.

26. Proceeds from the Sale of Oil and Gas or from Salvage

Contractor understands that any and all oil and gas produced as a part of the work under this Agreement is solely owned by the State of California. Contractor, where selling oil or gas, or salvage of materials existing on the Leases at the time of the Agreement, is acting as an agent for the State and shall transfer 100% of the proceeds of those sales to the CSLC without deduction or offset. Contractor's approved costs generated from any sale shall be invoiced in accordance with this Agreement.

**Attachment 1**

**TRAVEL AND PER DIEM EXPENSES**

**I. SHORT-TERM PER DIEM EXPENSES**

- A. In computing reimbursement for continuous short-term travel of more than 24 hours and less than 31 consecutive days, the consultant will be reimbursed for actual costs up to the maximum allowed for each meal, incidental, lodging expense for each complete 24 hours of travel, beginning with the traveler's times of departure and return, as follows:

1. On the first day of travel on a trip of 24 hours or more:

Trip begins at or before 6 a.m.	Breakfast may be claimed on the first day.
Trip begins at or before 11 a.m.	Lunch may be claimed on the first day.
Trip begins at or before 5 p.m.	Dinner may be claimed on the first day.

2. On the fractional day of travel at the end of a trip of more than 24 hours:

Trip ends at or after 8 a.m.	Breakfast may be claimed.
Trip ends at or after 2 p.m.	Lunch may be claimed.
Trip ends at or after 7 p.m.	Dinner may be claimed.

If the fractional day includes an overnight stay, receipted lodging may also be claimed. No meal or lodging expense may be claimed or reimbursed more than once on any given date or during any 24 hour period.

3. Reimbursement shall be four actual expenses, subject to the following maximum rates:

Breakfast	\$7.00	Receipts are not required for regular short term travel meals.
Lunch	\$11.00	
Dinner	\$23.00	
Incidentals	\$5.00	

**Lodging:**

Marin County	Actual up to \$110.00 plus tax.
Alameda, San Mateo, Santa Clara	Actual up to \$140.00 plus tax.
San Francisco	Actual up to \$250.00 plus tax.
Monterey and San Diego	Actual up to \$125.00 plus tax.
Los Angeles, Orange, Ventura & Edward AFB	Actual up to \$120.00 plus tax.
City of Santa Monica	Actual up to \$150.00 plus tax.
Napa, riverside and Sacramento Counties	Actual up to \$95.00 plus tax.
All counties/Cities in California not noted above	Actual up to \$90.00 plus tax.

If lodging receipts are not submitted, reimbursement will be for meals only at the rates and time frame set forth in B#1 below.



- B. In computing reimbursement for continues travel of less than 24 hours, actual expenses, up to the maximum in #3 above, will be reimbursed for breakfast and/or dinner and/or lodging in accordance with the following time frames:
1. Travel begins at or before 6 a.m. and ends at or after 9 a.m.: Breakfast may be claimed. Travel begins at or 4 p.m. and ends at or after 7 p.m.: Dinner may be claimed. If the trip of less than 24 hours includes an overnight stay, receipted lodging may be claimed. No lunch or incidentals may be reimbursed on travel of less than 24 hours.
  2. Travelers on short-term travel who stay in commercial lodging establishments or commercial campgrounds will be reimbursed for actual lodging expenses substantiated by a receipt. Travelers who stay with friends or relatives, or who do not produce a lodging receipt, will be eligible to claim meals only.

## II. MILEAGE REIMBURSEMENT

Reimbursement for personal vehicle mileage shall be at the Internal Revenue Service (IRS) rate (currently \$0.535 cents per mile for 2017)

There is no specific rate determined for the reimbursement for personal vehicle mileage using a specialized vehicle that has been modified to accommodate disabilities. In these cases, the same reimbursement rate will apply.

## III. Transportation Rental

Reimbursement for vehicle rental shall be for actual and necessary costs of such rental and airplane usage shall be allowed at the lowest fare available. Claims for reimbursements shall be allowed upon submittal of the appropriate receipt. Refer to California Code of Regulations, Title 2, Sections 599.627 and 599.628.

## Exhibit E Master Rate Schedule

<b>DRILTEK,INC Professional Staff</b>	<b>Fully Loaded Hourly Rate</b>
Project Manager	\$ 290.00
Sr. Technical Advisor	\$ 285.00
Ops/Engineering Manager	\$ 285.00
Sr. Petroleum Engineer	\$ 225.00
Controller	\$ 175.00
HSE Coordinator	\$ 229.00
Regulatory Lead	\$ 170.00
Well Site Coordinator Offshore *	\$ 240.00
Well Site Coordinator Onshore *	\$ 240.00
EHSR Manager	\$ 230.00
Sr. Geoscientist	\$ 245.00
IT Specialist	\$ 140.00
Engineering Technician	\$ 110.00
Geologic Technician	\$ 110.00
Planning Lead	\$ 200.00

<b>FIELD STAFF</b>	<b>Fully Loaded Hourly Rate</b>
Production Coordinator	\$ 196.00
Operations Lead	\$ 171.00
Operator Level 1	\$ 124.00
Operator Level 2	\$ 106.00
Operator Level 3	\$ 88.00
EMT	\$ 115.00
Extra Rig Operator	\$ 122.00
Rig Clerk	\$ 60.00
Rig and 3 man crew with Supervisor (Offshore)**	\$ 800.00
Rig and 3 man crew with Supervisor (Onshore)	Subcontract Neg. Rate

<b>Vehicles/Equipment</b>	<b>Rates</b>
Field Vehicles (limit 2)	\$50/day/truck
Triplex Pump with shaker, tank, and hoses	\$1000 / day
Hydraulic Power Swivel	\$900 / day

travel mileage authorized
per diem authorized

\* Invoiced cost not to exceed \$1,920 per day for daylight operations.

\*\* Monthly cost not to exceed \$160,000 without prior approval of CSLC Project Coordinator